	Agency Name	Department of Social Services (DSS)
	Chapter No./Name	DSS Policy Manual
	Part No./Name	1/Administrative/Fiscal
	Section No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Document No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Effective Date	01/03/05

I. POLICY

The Department of Social Services (DSS) maintains an effective system of internal controls over departmental assets and accounting records in order to achieve the following general objectives:

- To safeguard our resources against loss due to waste, abuse, mismanagement, errors, and/or fraud or other irregularities;
- To develop and maintain reliable financial and management data and fairly disclose that data in timely reports;
- To adhere to state and federal laws, regulations, and departmental management directives; and
- To promote orderly, economical, efficient, and effective operations consistent with the department's mission.

II. PURPOSE

The Department recognizes the value of a strong internal control system to manage risks that may impact the department's resources. This policy sets forth the guidelines and assigns responsibilities for maintaining, evaluating, improving, and reporting on the department's internal control system.


III. SCOPE AND APPLICABILITY

A. Scope

All DSS offices shall establish internal control procedures for the various types of financial transactions and activities within the department, including those functions and activities relating to cash, property, stamps, fees, licenses, permits, securities, and other state assets. All levels of management shall be involved in ensuring the adequacy of established internal controls.

B. Applicability

This policy applies to DSS administrators, managers, supervisors, and employees who are involved in performing or overseeing financial activities of the department. Because the department operates in a decentralized environment, employees in all DSS offices perform such financial and accounting activities and, therefore, have the primary responsibility for safeguarding the department's assets and ensuring accountability in managing resources.

	Agency Name	Department of Social Services (DSS)
	Chapter No./Name	DSS Policy Manual
	Part No./Name	1/Administrative/Fiscal
	Section No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Document No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Effective Date	01/03/05

IV. DEFINITIONS

Control Environment – Refers to the attitude and actions of DSS executives, managers, and employees regarding the significance of departmental controls.

DSS Management – Refers to an administrator, manager, director, supervisor or other individual who manages financial activities in the department.

Internal Control – Refers to the methods, procedures, instructions, organizational charts, manuals, memoranda, flow charts, or other related written materials which prescribe the internal control system for the department. The internal control system provides reasonable though not absolute assurance that assets will be protected against risk of loss by reliable financial reporting.

Internal Auditing – An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Management Override – Refers to situations in which high level personnel in an organization override prescribed policies or procedures for personal reasons. This should not be confused with management intervention, which represents management actions in departing from prescribed policies or procedures for legitimate purposes.


Risk – The probability that an event or action will have an adverse effect on the department.

Risk Assessment – A process used to identify and evaluate potential risks to departmental assets and resources, which may require corrective action to prevent waste, loss, unauthorized use, or misappropriation.

Risk Management – A continuous process involving a series of actions taken for the purpose of minimizing loss of assets and resources within the department.

Segregation (or Separation) of Duties – The controlled assignment of work to assure a check and balance system so that one employee does not control all phases of an activity or transaction, thus permitting errors or irregularities to go undetected.

Unit – Refers to staff and financial activities supervised by a DSS manager within a DSS agency, division, bureau, or other administrative unit.

	Agency Name	Department of Social Services (DSS)
	Chapter No./Name	DSS Policy Manual
	Part No./Name	1/Administrative/Fiscal
	Section No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Document No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Effective Date	01/03/05

V. RESPONSIBILITIES

A. Secretary

The Secretary is responsible for assuring that a sound internal control structure and framework operates within the department. The Secretary sets the "tone at the top" with a positive and supportive attitude toward internal controls and by commitment to competence, integrity, and ethical values that result in a positive control environment.

B. Undersecretary

The Undersecretary is statutorily responsible for fiscal management in areas including accounting and budget control, procurement and contract management, data processing, management and program analysis, personnel management, and grants management. In this capacity, the Undersecretary promotes sound business practices and is responsible for the approval and oversight of accounting internal control policies, standards, and compliance guidelines for financial management.

C. DSS Bureau of Audit Services

The DSS Bureau of Audit Services assists departmental managers in the effective discharge of their duties by furnishing independent analyses, appraisals, and recommendations concerning the adequacy and effectiveness of internal control systems, procedures, and overall agency performance.


D. DSS Management

DSS management is responsible for designing and maintaining a system of internal controls for the department.

E. Supervisors

Supervisors are responsible for ensuring that internal control objectives are achieved. The responsibilities of the supervisor shall include:

- Clearly communicating the duties and responsibilities assigned to each employee;
- Assigning tasks and developing detailed written procedures for completing them;
- Systematically reviewing each employee's work to assure that prescribed policies are being properly interpreted and executed;
- Reviewing work at critical points to ensure quality and accuracy in workflows;

	Agency Name	Department of Social Services (DSS)
	Chapter No./Name	DSS Policy Manual
	Part No./Name	1/Administrative/Fiscal
	Section No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Document No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Effective Date	01/03/05

- Providing guidance and training; and
- Providing documentation of supervision and review (i.e., initialing examined work.)

F. DSS Employees

All DSS employees have some responsibility for contributing to the success of the department's internal control system by demonstrating compliance with internal controls and using departmental resources in a manner consistent with the department's mission.

G. Safety Officers or Designees

Safety officers are responsible for assuring that training is provided to DSS employees annually on internal controls, bonds and crimes, and safety issues.


VI. DSS INTERNAL CONTROL PROCESS

The internal control process consists of five interrelated components: control environment, risk assessment, control activities, information and communications, and monitoring. Each of these components plays a specific role in achieving a sound internal control process, as outlined below.

A. Control Environment

The control environment within the department sets the tone and is the foundation for all other components of internal control, providing discipline and structure. The control environment is directly influenced by the attitude and actions of DSS managers regarding the significance of control. The internal control environment is positively influenced when DSS managers:

- Exhibit a philosophy and operating style which clearly recognize and demonstrate the value of a strong internal control system.
- Demonstrate the highest levels of integrity, as well as personal and professional standards.
- Clearly delineate lines of authority and responsibility within their specific areas.
- Assign authority and responsibility in a manner that ensures all employees fully understand reporting relationships and key duties, which include the use of

	Agency Name	Department of Social Services (DSS)
	Chapter No./Name	DSS Policy Manual
	Part No./Name	1/Administrative/Fiscal
	Section No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Document No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Effective Date	01/03/05

formal job descriptions, reporting relationships, and control-related responsibilities.

- Commit to the selection of competent staff and train employees in their jobs to carry out prescribed procedures efficiently and effectively.
- Commit to following the departmental, agency, and unit internal control policies and procedures that are assigned to all financial processes, as well as federal and state laws and regulations, and require employees to do the same. The clear message should be that internal control is serious and that any acts of fiscal misconduct will not be countenanced and, once detected, will be rigorously investigated.


B. Risk Assessment

The department must be aware of and deal with risks that could impact ability to protect departmental resources and to assure accurate and valid financial reporting. Risks must be identified and analyzed in terms of their significance, the likelihood of their occurrence, and how to manage them. Management should then use this information to decide how risks are to be managed and controlled. Generally, the department is at risk when:

- Assets (data, financial resources, inventory, or property) are not adequately safeguarded against loss.
- Financial and operating reports are unreliable and not in compliance with federal and state regulations.
- Non-compliance with internal and external policies and procedures results in loss of federal funding, disallowance of costs, fines and penalties, departmental exposure to legal liability, and adverse publicity.

When assessing risks in relation to financial activities and the guarding of assets, DSS managers should be aware of certain high risk factors:

- turnover in personnel
- rapid growth
- establishment of new services
- new technology
- organizational restructuring

	Agency Name	Department of Social Services (DSS)
	Chapter No./Name	DSS Policy Manual
	Part No./Name	1/Administrative/Fiscal
	Section No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Document No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Effective Date	01/03/05

- complex programs or activities
- cash receipts
- direct third party beneficiaries, and
- previously identified problems.

C. Control Activities


1. Developing Internal Control Activities

Control activities are the actual operating practices, internal policies and procedures, and physical barriers that are taken to manage risks in financial transactions and other activities.

After identifying the areas of risk, DSS management must review and evaluate which internal control procedure(s) will address the identified risks. DSS managers shall develop internal control activities and procedures that are necessary to mitigate risks in their particular work environment and areas of financial responsibility, and document their loss control unit objectives and internal control activities in the form of written policies.

In designing internal controls, DSS managers should be aware of the following:

- Establishing sound internal control procedures will help minimize potential problems such as theft, fraud and unintentional errors in recording accounting data. However, it may be impossible to design a set of controls that will completely eliminate all risks.
- The costs associated with control activities must be weighed to assure that they do not exceed the expected benefits.
- Each unit has unique circumstances; therefore, some controls may not be practical for every unit. For example, in small units a complete separation of job duties may not be practical. In these situations, compensating controls should be implemented such as more managerial and/or supervisory reviews.

	Agency Name	Department of Social Services (DSS)
	Chapter No./Name	DSS Policy Manual
	Part No./Name	1/Administrative/Fiscal
	Section No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Document No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Effective Date	01/03/05


2. General Principles of Internal Control

DSS internal control systems shall conform to generally accepted internal control principles, which include the following:

- *Authorization and Approval.* Proper authorization of all transactions and activities that are executed only by persons acting within the scope of their authority.
- *Review and Reconciliation.* Periodic reconciliation of assets to accounting records and timely resolution of discrepancies.
- *Segregation of Duties.* Segregation of duties so that one employee does not have the responsibility for all phases of a transaction.
- *Access.* As determined by the DSS manager, access to assets and records limited to those employees needing access to perform their job duties.
- *Custodial and Security Arrangements.* Assets should be physically secured and key control should be assigned to appropriate personnel.
- *Accounting for Physical Assets.* Periodic counting and comparison of actual assets with amounts shown in accounting records. Discrepancies should be reported to appropriate managers for investigation. Other examples are proper tagging of equipment and documentation when equipment is taken off the premises.
- *Adequate Documentation and Record Keeping.* Documentation of transactions should be complete and accurate to allow tracing the transaction from its beginning to completion.

3. Management Override

Management override of internal control policies and procedures is discouraged. If control procedures are overridden, managers should document in writing why override was necessary.

	Agency Name	Department of Social Services (DSS)
	Chapter No./Name	DSS Policy Manual
	Part No./Name	1/Administrative/Fiscal
	Section No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Document No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Effective Date	01/03/05

4. Ongoing Review

DSS managers should review their own internal control policies and procedures periodically to ensure that they are well designed, working properly, and reflect changing conditions. Management is responsible for strengthening their internal controls when weaknesses are detected. If significant weaknesses are detected, managers may consider any or all of the following steps to pursue corrective action:

- Schedule and conduct an internal control review.
- Request an audit.
- Establish monitoring procedures.
- Develop and conduct training programs for staff.
- Issue clarifying instructions.
- Modify procedures or documents.

The system of internal control must be periodically reviewed by managers and supervisors to determine that policies and procedures are being interpreted correctly and are being followed. Every employee is responsible for ensuring that established internal controls are followed and applied.


5. Documentation

Internal control systems and significant events associated with internal control should involve stringent documentation which is readily available for examination by DSS managers, auditors, Office of Risk Management employees, or others involved in analyzing and reviewing operations. Documentation of internal control systems should appear in management directives, administrative policy, and accounting procedure manuals.

Each employee shall be provided a hard copy of the internal control procedures associated with their specific job responsibilities, and should understand the importance of following all written policies and procedures when processing transactions.

D. Information and Communication

DSS managers and employees with duties relating to financial assets produce pertinent information for the department's management control system. The department's information and communication system, as a component of the internal control system, is designed to accomplish the following:


	Agency Name	Department of Social Services (DSS)
	Chapter No./Name	DSS Policy Manual
	Part No./Name	1/Administrative/Fiscal
	Section No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Document No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Effective Date	01/03/05

- Produce accurate financial, operational and compliance reports needed to manage the department and its agencies.
- Identify, capture and communicate information in a form that enables other people to carry out their responsibilities on a timely basis.
- Produce reports that deal with internal and external activities, conditions and events necessary for informed management decisions and external reporting.
- Allow the department's managers and employees to capture and exchange the information they need to conduct, manage and control operations.
- Assure that management has made it clear to all employees that control responsibilities are to be taken seriously.
- Assure that employees understand their own roles in the internal control system, as well as how their individual activities relate to the work of others through written documentation, including policies and procedures, manuals, organizational charts, position descriptions, performance evaluations, and formal and informal training programs.
- Provide employees opportunities to provide recommendations to management for improving control operations.
- Provide the means for all employees to communicate significant information upward to higher management levels, including problems in operations, non-compliance with expected codes of conduct, violations of policies, and illegal acts.
- Assure effective communication with external parties and stakeholders having an interest in the department's business.

E. Monitoring

DSS management responsibilities pertaining to the monitoring component include the following:

- Monitor the control system over time to assess the quality and performance through appropriate reviews.
- Ensure that appropriate reviews and monitoring take place.
- Focus monitoring in high risk areas and make modifications to internal controls if weaknesses are identified.
- Report deficiencies to the next highest management level.
- Monitor previously identified problems to ensure that they are corrected.
- Ensure that documentation of all internal control systems is maintained and readily available, when requested, for examination by higher level DSS management or auditors.
- When necessary, perform separate, independent evaluations of internal controls.

	Agency Name	Department of Social Services (DSS)
	Chapter No./Name	DSS Policy Manual
	Part No./Name	1/Administrative/Fiscal
	Section No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Document No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Effective Date	01/03/05

- When deficiencies are identified, whether from management/supervisory ongoing monitoring activities or from internal audit findings, initiate prompt corrective action on findings and recommendations unless in the case of audit findings, it can be demonstrated that management action is not warranted.

VII. DISCREPANCY REPORTING

Discrepancies, when identified, must be promptly reported to the appropriate level of management to take necessary actions commensurate with the significance of the problem. The purpose for reporting discrepancies is to determine the cause of the problem so that appropriate corrective measures may be taken. Managers should foster a no-fault attitude so that employees will be encouraged to identify and report internal control weaknesses.

The DSS manager is responsible for addressing the cause and disposition for the discrepancy, and for formulating a plan that will prevent or minimize occurrences.

Discrepancies should be reported on the DSS Discrepancy Reporting Form – [Adobe version/Word version](#).


VIII. FRAUDULENT ACTIVITIES

DSS management is responsible for detecting fraudulent or related dishonest activities in their areas of responsibility. Each manager should be aware of the types of improprieties that may occur and be alert to any indication of improper activity, misappropriation, or dishonest activity that was or may still be in existence in his/her area.

Employees in the course of performing their duties may become aware of suspicious activities or suspected irregularities engaged in by others around them. Irregularities include willful falsification of records and reports, and misappropriation of funds or theft of other departmental assets.

Any employee who has reason to believe this policy or other DSS policies implementing internal controls has been violated is obligated to report the incident(s) and all relevant information on the DSS Discrepancy Reporting Form – [Adobe version/Word version](#) and submit to the immediate supervisor, DSS manager, or the appointing authority. The employee may elect to remain confidential.

Employees who report information about suspected situations of illegal, wasteful, or criminal activities shall be protected from retaliation. DSS management is responsible for reporting to upper levels of management all unaccounted for variances, losses, shortages or thefts of funds or property for review and appropriate actions.

	Agency Name	Department of Social Services (DSS)
	Chapter No./Name	DSS Policy Manual
	Part No./Name	1/Administrative/Fiscal
	Section No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Document No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Effective Date	01/03/05

The department will promptly investigate any possibility of fraudulent or related dishonest activities against the department and, after investigation, will take appropriate disciplinary and/or legal actions against employees, which include the possibility of termination of employment, restitution, and/or forwarding information to the appropriate authorities for criminal prosecution.

IX. RELATED POLICIES REFERENCES

The following are specific policies on internal controls for departmental operations in financial transactions. Internal controls have been set up in each of these policies for the transaction or activity:

DSS Policy 1-9	Petty Cash
DSS Policy 1-4	Internal Audit
DSS Policy 1-11	Property Control Policy
DSS Policy 5-3	DSS Computer Security Policy
DSS Policy 1-13	DSS ISIS Userid Program Policy
DSS Policy 4-7	Disciplinary Actions

DSS employees in internal control management should be aware that DSS policies and procedures related to internal controls are readily available on the DSS Intranet for downloading.

X. PERTINENT INFORMATION ABOUT SPECIFIC FINANCIAL TRANSACTIONS AND ASSETS


A. Receiving and Transmitting Cash Management Documents

[Article 7, Section 9 of Louisiana Constitution](#) states “All money received by the state or by any state board, agency or commission shall be deposited immediately upon receipt in the state treasury.”

Received cash, checks, or money orders from postal mail, messenger mail or from any other sources shall be date stamped and all envelopes retained and forwarded to Department of Social Services, Office of Management and Finance, Financial Management, Cash Management Section, P. O. Box 3927, Baton Rouge, LA 70821.

B. Property Control Damage and Loss

Any loss or damage of property resulting from fire, theft, flood or any other natural disasters shall be reported immediately to the Property Control Manager in the appropriate DSS office.

	Agency Name	Department of Social Services (DSS)
	Chapter No./Name	DSS Policy Manual
	Part No./Name	1/Administrative/Fiscal
	Section No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Document No./Name	1-18/Internal Control Policy for Financial Transactions and Departmental Assets
	Effective Date	01/03/05

C. Liability

Injury to persons or damage to their property because of harmful acts of a DSS employee, due to an automobile accident, false arrest, libel, discrimination, dangerous conditions of state property, professional malpractice, bond agreements, purchase orders, leases, construction contracts and service contracts shall be reported to the manager/supervisor in the office.

D. Key Control

Basic internal controls shall be developed for key distribution to individual employees when distributing keys for access to offices, desk, filing cabinets and supply closets. The DSS Key Control Form – [Adobe version](#)/[Word version](#) should be completed by the supervisor, signed by the employee, and retained in a file.